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JORDAN-SYRIA: Clashes along the border continued for the second straight day yesterday, and Syria used jet aircraft against Jordanian tanks.

Radio Damascus claimed that the cross-border tank and artillery exchanges had been initiated by Jordanian units firing upon civilian and military positions within Syria. The broadcast also alleged that five Jordanian tanks were destroyed in the action. [REDACTED]

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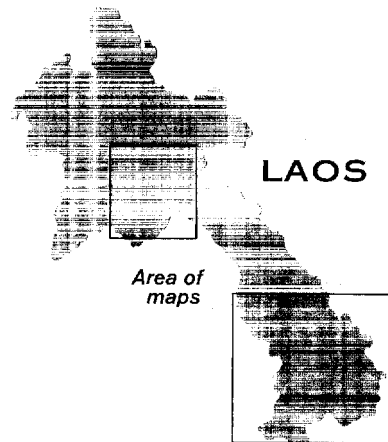
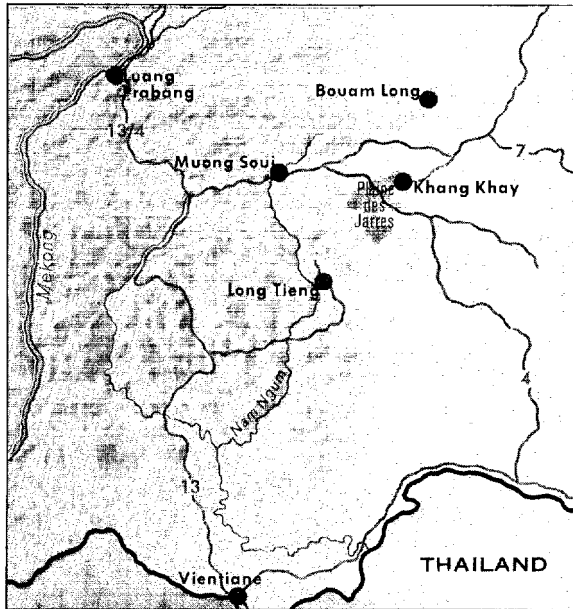
The Jordanian Foreign Ministry was surprised by Syria's breaking diplomatic relations. The ministry's secretary general believes that Syrian President Asad may have acceded to radical elements who may have felt a need--prior to a gathering of Libyan, Egyptian, Syrian, and Sudanese leaders in Damascus next week--to counter accusations that Damascus was working with Amman against the fedayeen. [REDACTED]

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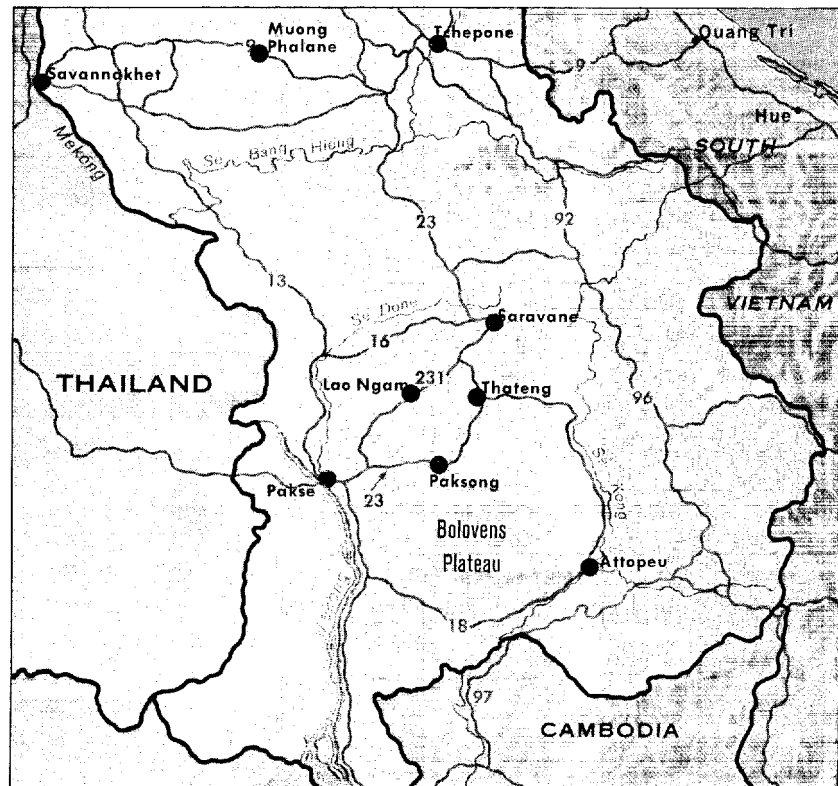
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- Government-held location
- Communist-held location

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LAOS: Government forces have met reverses in their effort to retake Paksong in south Laos, but have continued to gain ground slowly on the north-eastern Plaine des Jarres.

Three Lao Army battalions operating north of Route 23 were hit hard by North Vietnamese units on 11 August and were forced to abandon their attempt to move toward Paksong from the northwest. These units have withdrawn to Route 23 to take up defensive positions. A new three-battalion operation is moving northward to harass enemy lines of communication between Paksong and the main Communist rear base area at Lao Ngam. Government units are also to continue down Route 23 toward Paksong, but so far stiff enemy resistance has blocked attempts to overrun Communist positions about four miles west of Paksong.

Some elements of civilian government are being restored in Saravane. Presumably the government forces will stay until North Vietnamese pressure compels them to withdraw, although their original plan had called for holding the town only a few days.

In north Laos, some of Vang Pao's irregular units are now about two miles from Khang Khay, one of the tentatively agreed-upon sites for Lao peace talks should they get under way.

On the subject of talks, Prime Minister Souvanna announced yesterday that his thinking at that time was of responding to the latest Communist message by suggesting that the Communists appoint a plenipotentiary representative empowered to begin negotiations alternately in Vientiane and Khang Khay.

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COMMUNIST CHINA - BURMA: Peking's restrained public treatment of Prime Minister Ne Win's visit to China suggests that relations have not yet reached the warmth of pre-Cultural Revolution days.

Although the visit was given high-level attention by Peking--Ne Win was honored by a visit with Mao and was personally accompanied from Peking to Canton by Chou En-lai--the New China News Agency (NCNA) limited its coverage to straightforward reporting. It has so far failed to publicize the speeches by both sides.

An NCNA excerpt from Chou's toast at a banquet on 6 August reflected the slightly reserved atmosphere of the visit. Chou expressed pleasure that Sino-Burmese relations "have returned to normal" and predicted that relations will improve further as a result of Ne Win's visit; however, he omitted the standard reference on such occasions to the five principles of peaceful coexistence and failed to praise the achievements of the Burmese Government. Moreover, there has been no mention of the Sino-Burmese treaty of friendship and non-aggression.

The visit nonetheless represents another step in a return to the friendly relations that existed prior to the 1967 anti-Chinese riots in Burma. Since Ne Win's trip was described in advance as "friendly and informal," the fact that the Chinese issued the invitation at this time suggests they were prepared to discuss such thorny problems as the question of continuing Chinese support to Burmese insurgents. Some progress may have been made toward the resolution of this issue, but the neutral tone of the Chinese comment on the visit seems to indicate that there is still some distance to go in fully settling the problem.

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INDIA: Parliament has unanimously approved the government's request for additional funds for refugee relief.

New Delhi believes that the \$267 million in new appropriations, together with \$80 million allocated earlier, will care for the refugees now in India throughout the remainder of 1971. So far only about \$11 million has been received from foreign aid pledges of approximately \$145 million, but India is counting on receipts of about \$95 million in 1971 to help offset some of the costs. A million additional refugees crossed over into India last month, pushing the total number to an estimated 7.5 million.

The new appropriation may push India's budgetary deficit for the year to over \$500 million. The government, concerned about resultant inflationary pressures, is proposing to reduce non-plan expenditures and to tighten tax collections. The US Embassy in New Delhi, however, is doubtful that the government can make a dent in the projected deficit by either of these methods.

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PAKISTAN: Foreign exchange revenues will be seriously affected by mounting problems in the jute industry in East Pakistan.

Export earnings from both raw jute and jute manufactures may decline this calendar year by as much as one quarter despite relatively high world jute prices. Last year, jute exports amounted to over \$300 million, or 45 percent of Pakistan's total exports. The jute crop, now being harvested, is estimated at almost 20 percent below that of last year. Acreage declined by one fifth and planted fields went untended because many farmers fled or went into hiding after the military crackdown.

Although almost all mills have now reopened, production is still only half of normal. Abnormally high inventories resulting from mill shutdowns from March to June could help overcome the production shortfall, but laborers are still terrified of the army and afraid of guerrilla retaliation should they return to work. Internal jute shipments are hampered by the lack of security for water transport and by shortages of barges and tugs, many of which were destroyed or confiscated by the military. [REDACTED]

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CHILE: The government-owned airline (LAN) is hard pressed to keep its operations abreast of Chilean international relations.

25X1 [redacted] LAN recently told the Chilean Civil Aviation Board that it cannot afford to include Havana on its route to Europe and wants negotiations on the Cuban stop to be suspended. According to LAN, the Castro government has reneged on a commitment to guarantee a high occupancy rate on LAN flights from Havana to Madrid.

The only round-trip flight via Havana, made in July under the much-publicized Cuban-Chilean air agreement of last February, reportedly reached Madrid with many empty seats. In addition, the French and German governments have raised obstacles that complicate the inclusion of Havana. The schedule for future LAN flights on that route is in doubt, posing a problem for Cuban Foreign Minister Raul Roa's scheduling of his visit to Chile next week. Bi-monthly Cuban flights between Santiago and Havana continue.

Meanwhile, Brazil has belatedly approved LAN's request for landing rights on its Santiago-Europe run, [redacted]

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Earlier this year LAN's ambitious route expansion, reaching from Frankfurt to Tahiti, was overstraining the airline's limited equipment and schedules were not being met. [redacted]

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25X1 [redacted] The airline executives prefer for technical and economic reasons to fill their growing needs by increasing the number of US aircraft, already used exclusively in LAN overseas routes. British VC10s were reportedly considered but rejected as an alternative.

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Chile is also short of cargo aircraft, and this may have an effect on the Allende government's ability to meet growing food shortages. A lack of planes reportedly is hampering the administration's emergency efforts to fly in beef from Argentina. [REDACTED]

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INDIA-NEPAL: On 13 August the two countries signed a new trade and transit treaty, replacing one that expired last October. In the interim, numerous negotiating sessions failed to break the deadlock and bilateral relations dipped to one of their lowest points in a decade. As a landlocked underdeveloped country almost totally dependent on India as a trading partner, Nepal had little choice but finally to agree to Indian demands, particularly for measures to check smuggling into India. The Pakistani crisis probably encouraged Nepal to give up its insistence for a land route to East Pakistan via India. The new treaty--whose specifics will be released in a day or two--should provide sound footing for improved Indo-Nepalese relations. [REDACTED]

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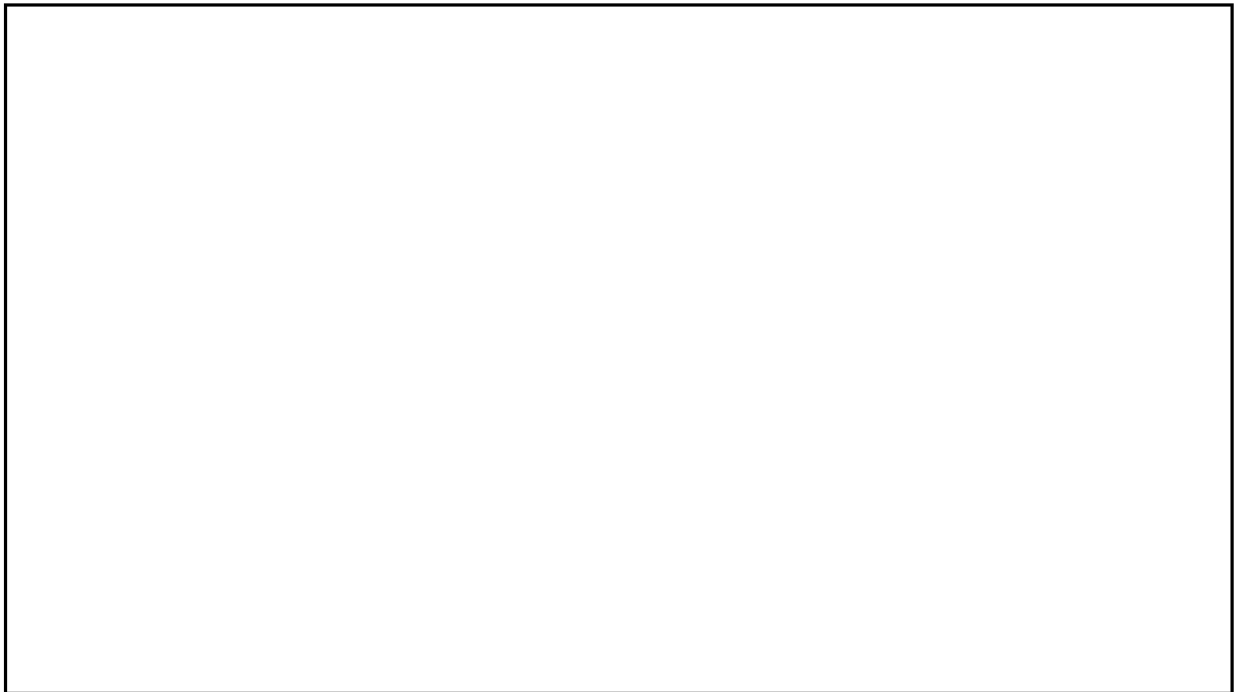
LIBYA: Prime Minister Qadhafi's announcement of a largely civilian cabinet yesterday appears to be yet another move to give the Libyan people the illusion of greater participation in their government. That these changes are mainly cosmetic is evident in the fact that Qadhafi and his two ranking colleagues from the Revolutionary Command Council (RCC) hold all the significant ministries. Four members of the RCC were replaced by civilians and have apparently returned to solely RCC duties. In line with his earlier promises, Qadhafi recently has also formed an Arab Socialist Union party and has scheduled the popular ratification of the proposed federation with Egypt and Syria. The cabinet change might be another "accomplishment" for Qadhafi to note at his regime's second anniversary on 1 September. [REDACTED]

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VENEZUELA: President Caldera is trying to reach a national consensus on joining the Andean regional economic group, comprising Chile, Peru, Ecuador, Colombia, and Bolivia. At a government-sponsored forum, membership in this grouping is being presented as the country's most promising integration option. A government position paper rejects association with the Central American Common Market and the Caribbean Free Trade Association because their markets are too small. At the same time Venezuela, fearing Brazilian and Mexican domination, is reluctant to confine itself to the Latin American Free Trade Association. Venezuela declined to join the Andean grouping when it was created in 1969, largely because of strong opposition from influential industrial interests, but Caracas has recently renewed negotiations to determine the terms on which it might enter. [REDACTED]

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COLOMBIA: A violent and destructive strike protesting layoffs at the country's largest oil refinery has led to gasoline shortages that may continue for several months. Military intervention at the state-owned complex at Barrancabermeja obliged striking workers and supervisory personnel to release 17 engineers being held hostage, but was unable to prevent some \$5 million in physical damage to the refinery. Because the initial resumption of production is expected to be at one fifth of normal capacity, the government has asked for voluntary reductions in consumption to avoid rationing of fuel and reportedly intends to import gasoline from Aruba. The military is investigating what is officially called the "illegal" strike, and plans to court-martial the "subversives" and "agitators" involved. The government's unusually forceful action averted a national transport paralysis, but may have angered labor sufficiently to provoke additional strike calls. [REDACTED]

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